

(February 11, 2009) 'Buy American' holds up in stimulus - for now

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Despite President Barack Obama's stated concerns and the opposition of business groups and free-trade proponents, the version of the stimulus bill the Senate passed Tuesday requires the government to "Buy American" when spending money under the measure.

By a large margin, the Senate rejected an amendment by Sen. John McCain (R-Ariz.) to strip the provision from the bill last week. It adopted language requiring Buy American rules to be applied in a manner that doesn't violate international trade agreements.

In prime-time interviews a week ago, Obama said Congress needs to make sure the rules won't "trigger a trade war." However, he stopped short of calling for removal of the provision, which includes various loopholes but requires the government when it decides not to comply to state publicly its reasons for doing so.

House and Senate negotiators now must reconcile differences between the two bills. The Senate version covers iron, steel and manufactured goods used in public works projects.

Locally, U.S. Rep. Dan Lipinski (D-3rd) is a strong proponent of Buy American rules and a free-trade critic. He argues more should be done to guarantee stimulus money is spent on a wide array of U.S. products, although it appears Congress is unlikely to go any further than it already has. And he's not softening his stance in the face of the president's statements, which he said he was "disappointed with."

"I'm not a rubber stamp for President Obama," he said. "I want to support the president, but first and foremost I want to do what is right."

As a result of free-trade agreements signed over the past 15 years, "We have seen our trade deficit balloon more and more, and we lose more and more American jobs," Lipinski said.

Mixed reviews

The Buy American rules are opposed by business groups, including the U.S. Chamber of Commerce. A number of countries and the European Union have criticized the requirements, although similar but somewhat weaker laws long have existed.

The centrist Peterson Institute for International Economics released a study earlier this month arguing that at best the provisions would result in a net gain of a few thousand jobs but at worst could cause the loss of tens of thousands of jobs. The House version also likely would violate trade agreements with dozens of countries, which could result in those nations raising barriers to U.S. exports, the authors state.

In short, they say, "there is little bang for the buck, and on balance the Buy American provisions could well cost jobs if other countries emulate U.S. policies."

But Robert E. Scott of the more liberal Economic Policy Institute said it's possible to implement the Buy American language and abide by existing trade deals, creating an estimated 100,000 U.S. jobs in the process.

So long as the United States doesn't violate its agreements, "I don't think there's much risk of retaliation," said Scott, who is working on a critique of the Peterson Institute's analysis. "They can only retaliate if in some ways we violated a trade commitment to them."

Lipinski's vote

Lipinski voted for the House version of the stimulus bill, along with the overwhelming majority of Democrats. But he has threatened to vote against the final version, arguing it should include more transportation and infrastructure spending and be more focused on creating jobs. The Senate bill contains less money for roads and mass transit than the House version, according to Lipinski.

He said he has not yet decided how he will vote and plans to continue to try to alter the bill for the better.

"I agree we need to pass a stimulus bill," he said. "I am not someone who is saying I don't think we need this."